

my **IPS**



PRELIMINARY DETERMINATION HEARING

December 12, 2017

Updated December 12, 2017

1

Why?

2

Proposed Operating Referendum

3

Proposed Capital Referendum Project Hearing

Declining revenue and investments in teacher and employee compensation and benefits are driving IPS to pursue additional local tax dollars.

01

IPS receives 5.88% less in per-pupil funding in SY 2017–2018 compared to SY 2010–2011, ~\$10 million less in state funding.

02

IPS received \$14.2 million less in federal funding in SY 2016–2017 compared to SY 2010–2011.

03

IPS has lost an average of \$16.8 million annually since 2011 due to property tax caps.

04

IPS invested over \$8.8 million annually from SY 2015–2016 to SY 2017–2018 to provide teacher raises and maintain cost-neutral benefits (despite significant increases in healthcare costs).

IPS administration has reduced expenses by \$18+ million without altering academic programs & service quality. Highlights below:

1

Sold former Coca-Cola Bottling Plant for mixed-use redevelopment (Mass Ave.) to realize \$12M in one-time revenue. Bus fleet maintenance is now outsourced.

2

Rightsizing the IPS central office to reduce expenditures by \$5.3M annually.

3

Sold P.R. Mallory/Ford building for redevelopment (Washington St.) to realize \$1.65M in one-time revenue. District warehousing is now outsourced.

4

Refinanced the district's debt portfolio, taking advantage of favorable interest rates to lower debt service, by approximately \$1.5M annually.

IPS administration has reduced expenses by \$18⁺ million without altering academic programs & service quality. Additional highlights below:

5

Listed FMD property for sale and sold 3 properties for an estimated \$1.5M in one-time revenue. Operations functions have been relocated to school facilities.

6

Sold unused school facilities to realize \$1.15M in one-time revenue for the district, while also spurring redevelopment for the city.

7

Sold Center for Instructional Radio & Television (CIRT) property (Fountain Sq.) for \$1.1M in one-time revenue.

8

Leasing facilities to education partners, capturing \$736.5K in annual lease revenue.

Estimated operating & maintenance savings for disposed properties is approximately \$700K annually.

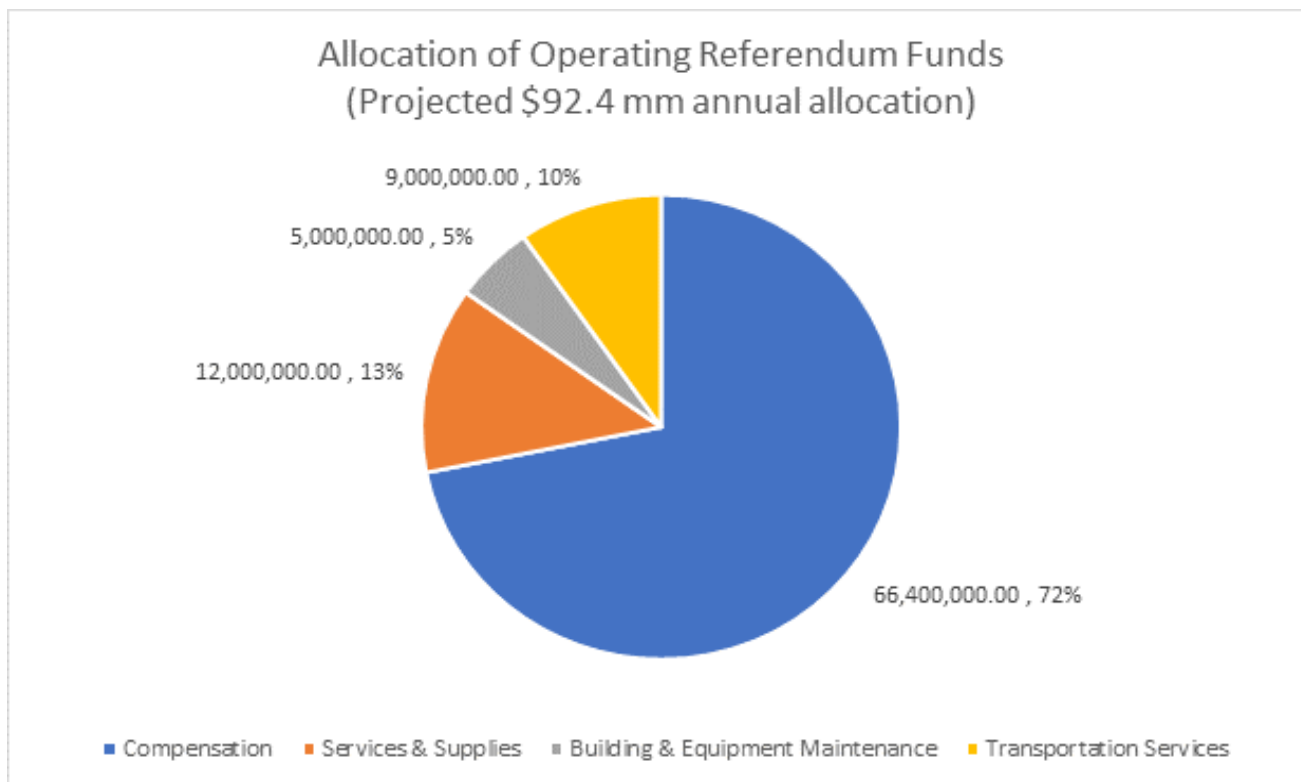
A **referendum** is based on a single political question that has been referred to the body of voters for a pass/fail decision.

An **operating referendum** allows school districts to seek additional funding for teacher salaries and academic services from local taxpayers through a vote.

The operating referendum would seek to:

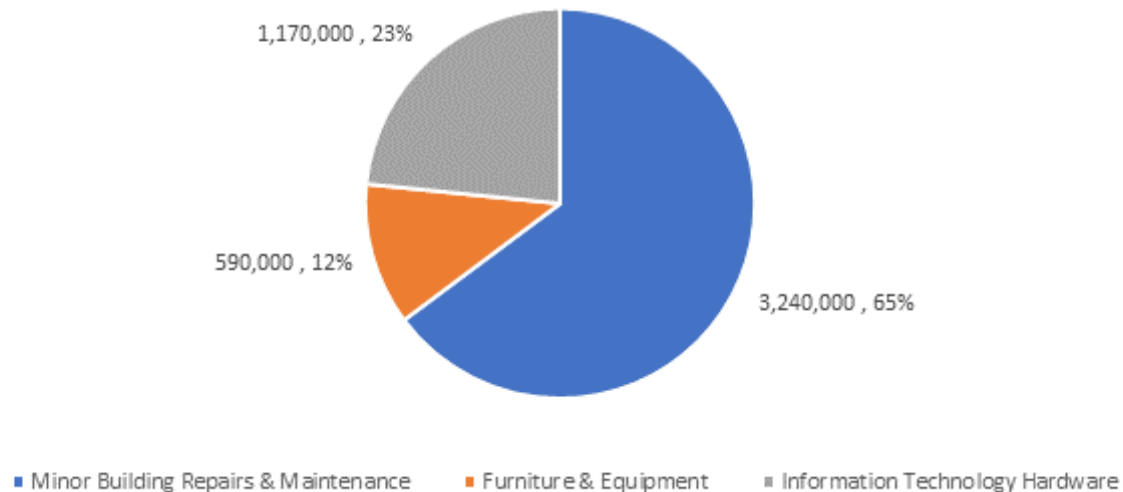
- Propose a local property tax levy of no more than \$0.59 on each \$100 of assessed valuation.
- Provide all employees with an annual cost of living salary increase up to 2%.
- Maintain health care benefits as cost-neutral for employees.
 - Projected 8% annual increase in benefit costs
- Continue to provide excellent services for students with special needs.

The operating referendum would seek to allocate the following:



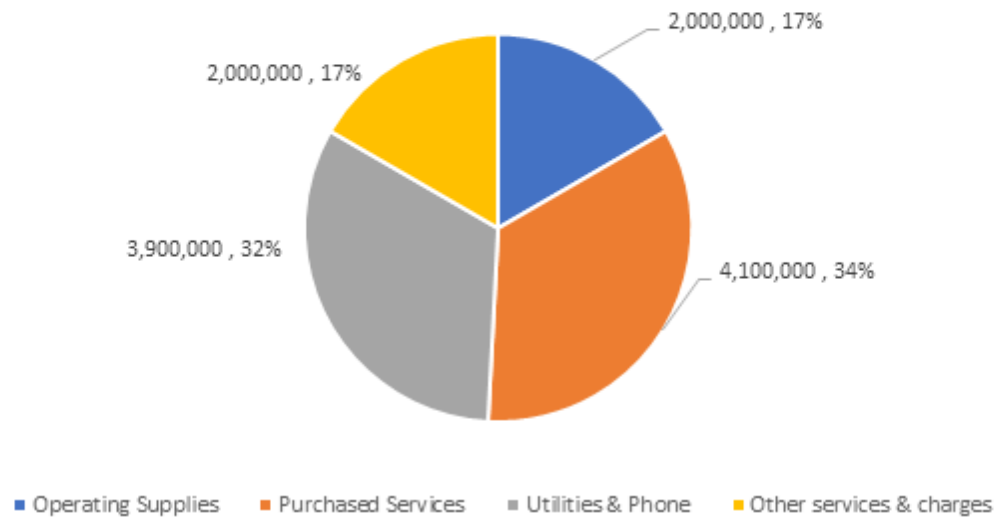
The operating referendum would seek to allocate the following:

Allocation of Operating Referendum Funds
Building & Equipment Maintenance
(Projected \$5.0 mm annual allocation)



The operating referendum would seek to allocate the following:

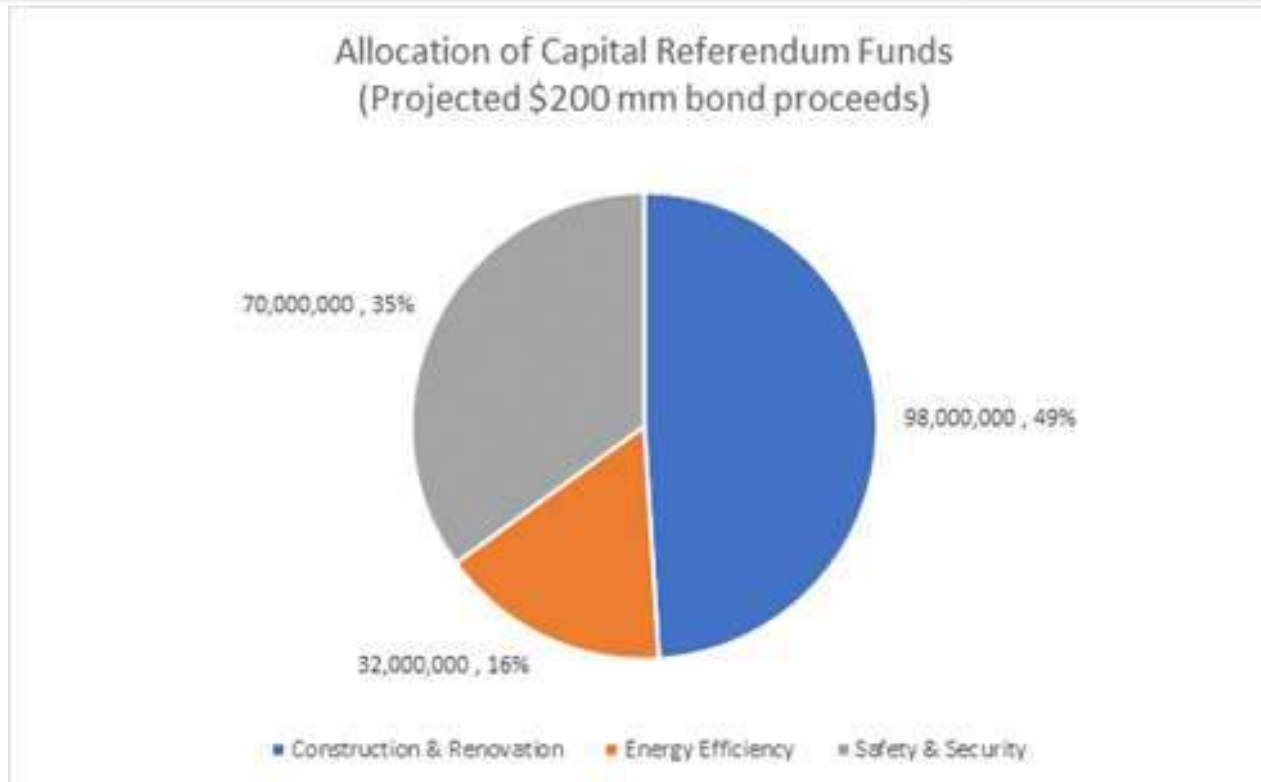
Allocation of Operating Referendum Funds
Services & Supplies
(Projected \$12.0 mm annual allocation)



A **capital improvement referendum** allows school districts to seek additional funding for building improvements from local taxpayers through a vote.

The capital improvement referendum would seek to:

- Generate \$200 million to fund the **myIPS Safety, Security, and Technology Project**.
- Call for a local property tax levy of no more than \$0.1384 per \$100 of assessed valuation.
- Provide all IPS-owned school facilities with enhanced safety and security.
- Address deferred maintenance needs in all IPS-owned school facilities.
- Invest in energy efficient technology to reduce annual operating costs across the district.
 - *Examples include: exterior lighting, technology upgrades, and playground accessibility for students with special needs*

The capital improvement referendum would seek to invest:

Examples include: exterior lighting, technology upgrades, cameras, door security and playground accessibility for students with special needs

Without referenda funds, IPS could be forced to:

- Freeze teacher and employee compensation.
- Reduce educational programs for students.
- Reduce the quality of some services for students with special needs.
- Continue to defer building maintenance.
- Reduce transportation services.

IPS will consider both the pursuit of the operating and the capital improvement referenda questions.

IPS must pursue these referenda to continue providing the highest quality of education to all students within the district.

IPS has not sought a referendum since 2008. Six districts in Marion County have successfully completed operating referenda and four have done capital referenda within the same time frame.

IPS has cut overhead and operating costs, but cannot continue to operate at a structural deficit.

Proposed Operating Referendum

Proposed Capital Referendum Project Hearing

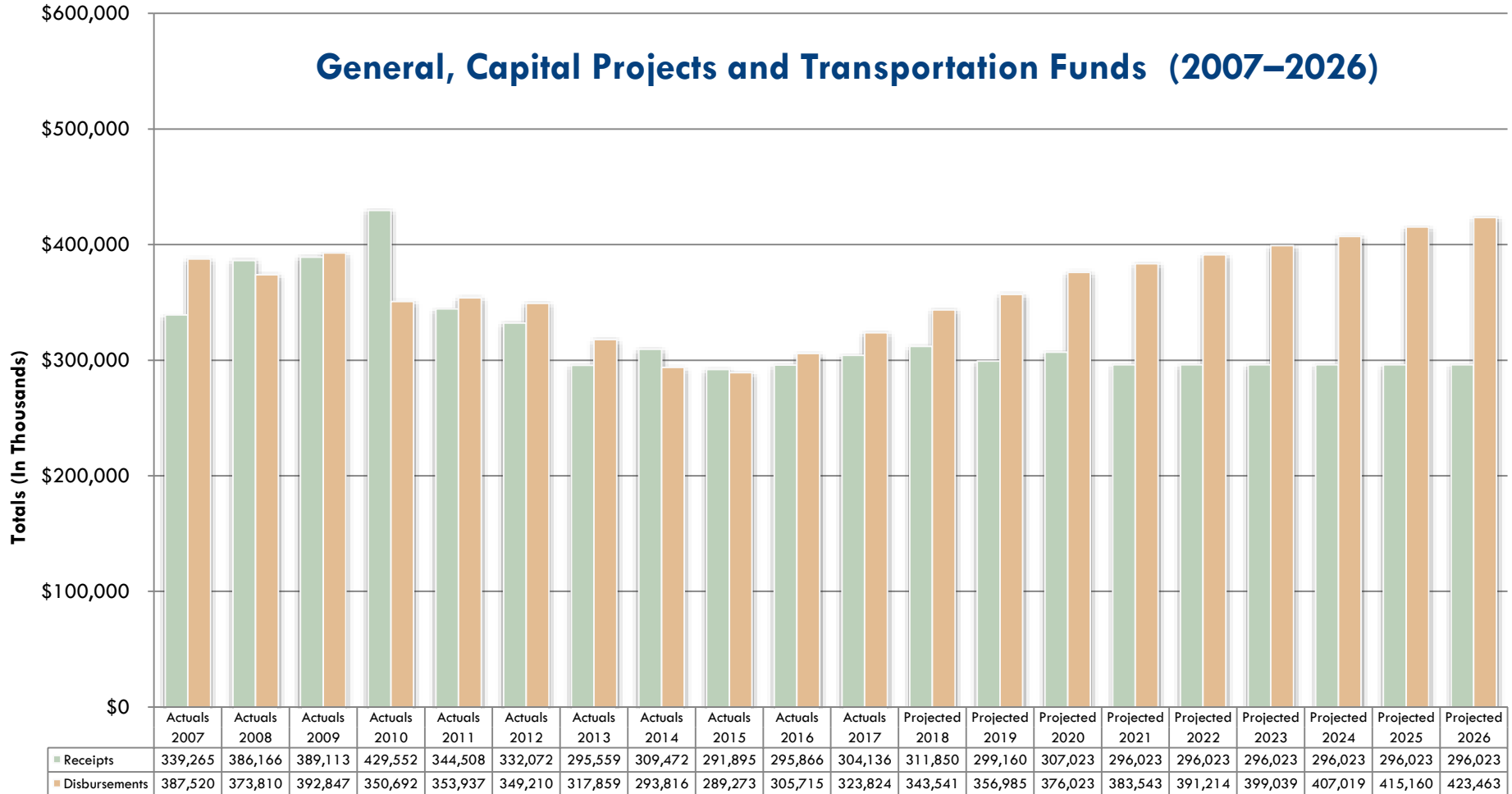
Revenue Estimates

- Basic Grant revenue is based upon enrollment trends provided by School Officials.
 - Assumed stable general education student enrollment and a slight decline in Special Education enrollment, based on recent trends.
- No assumed annual growth in state and local revenue sources.
- Property tax revenue for operational funds (Capital Projects and Transportation Funds) expected to decrease due to circuit breaker credit projections.

Expenditure Estimates

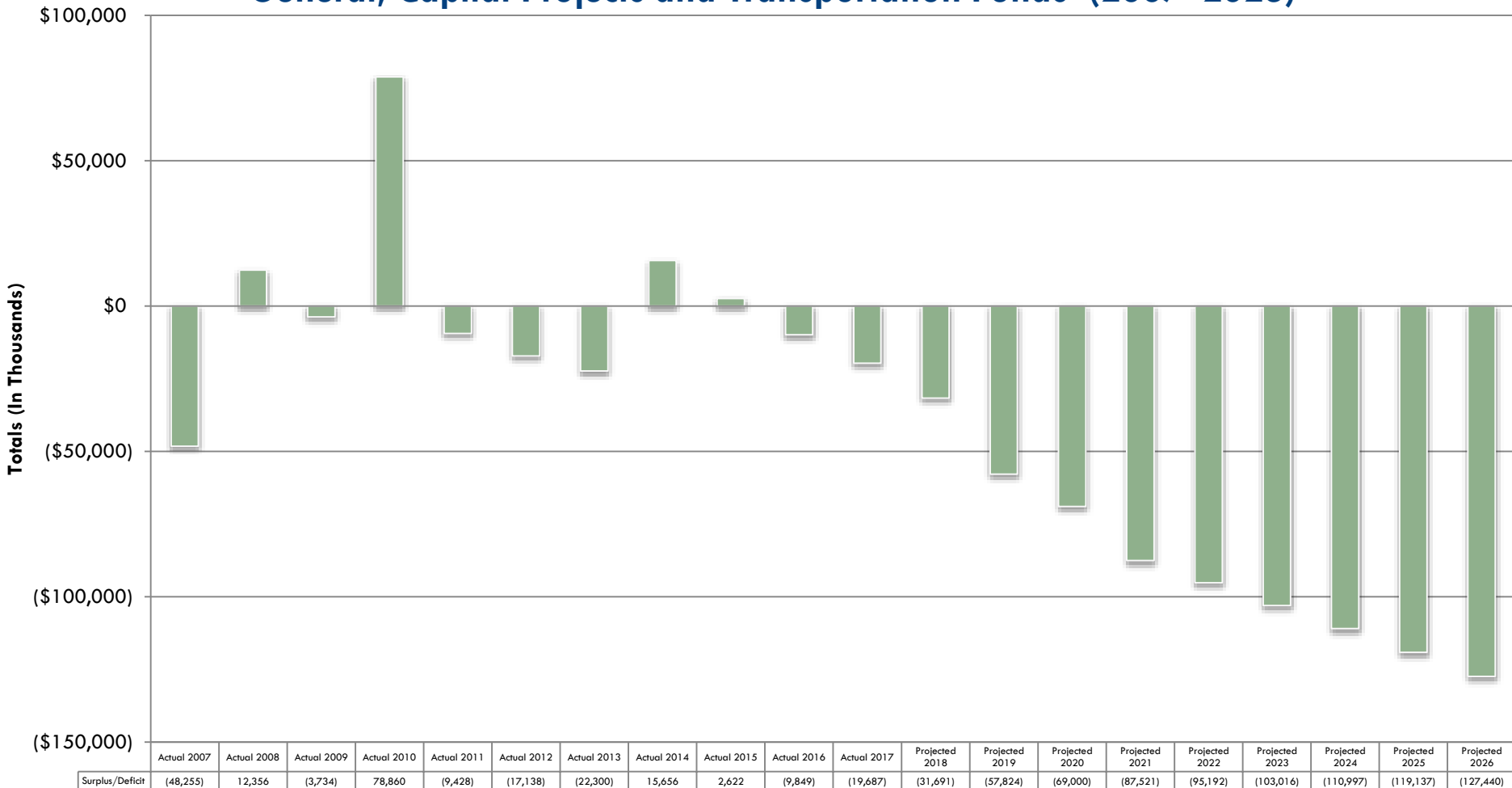
- 2% inflationary annual operational increases.
- Disbursements for Capital Projects are based upon discussions with School Officials.
- Disbursements for Transportation are based upon discussions with School Officials.

General, Capital Projects and Transportation Funds (2007–2026)



*Provided by H.J. Umbaugh & Associates

General, Capital Projects and Transportation Funds (2007–2026)



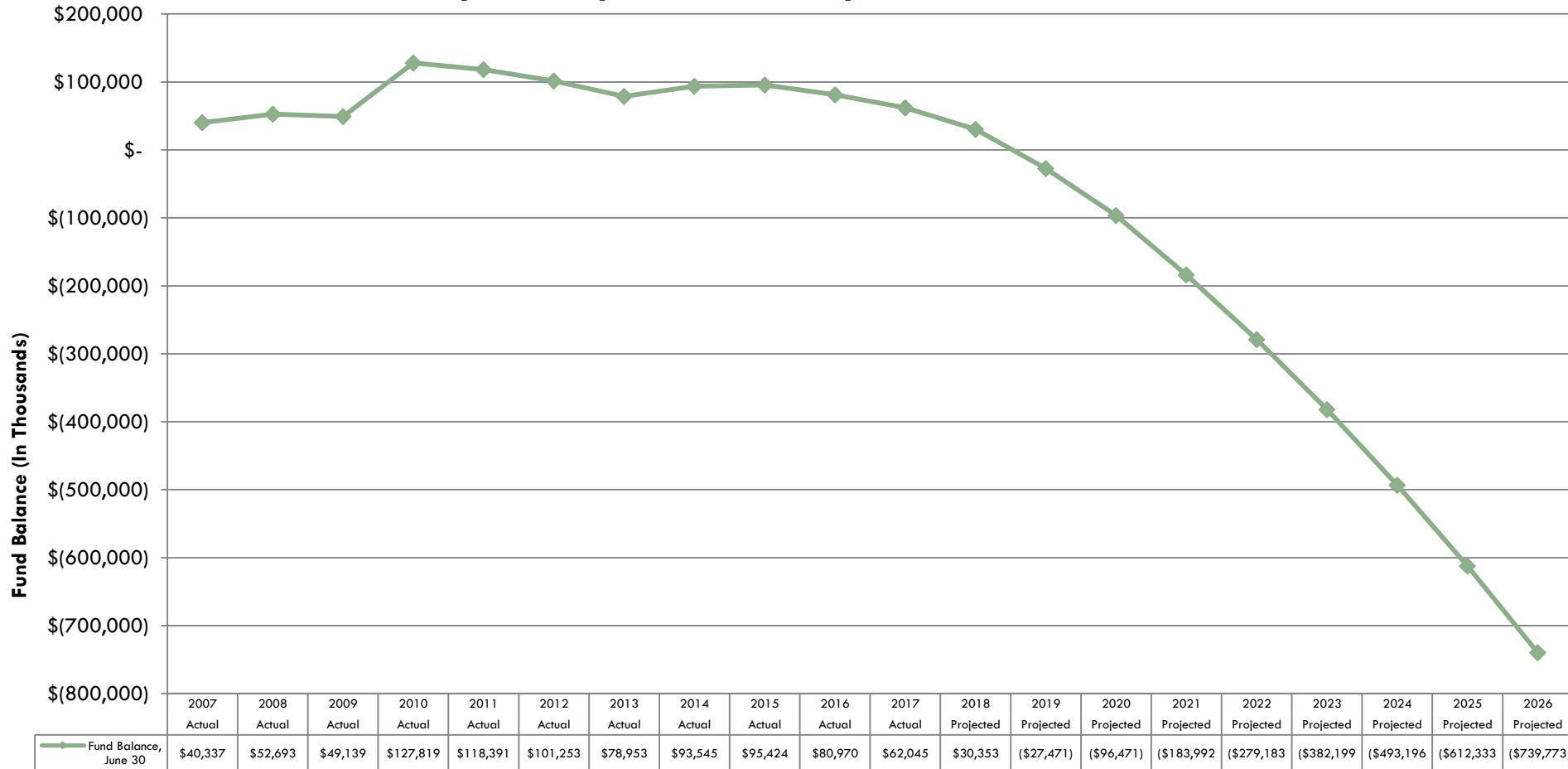


operating referendum

19

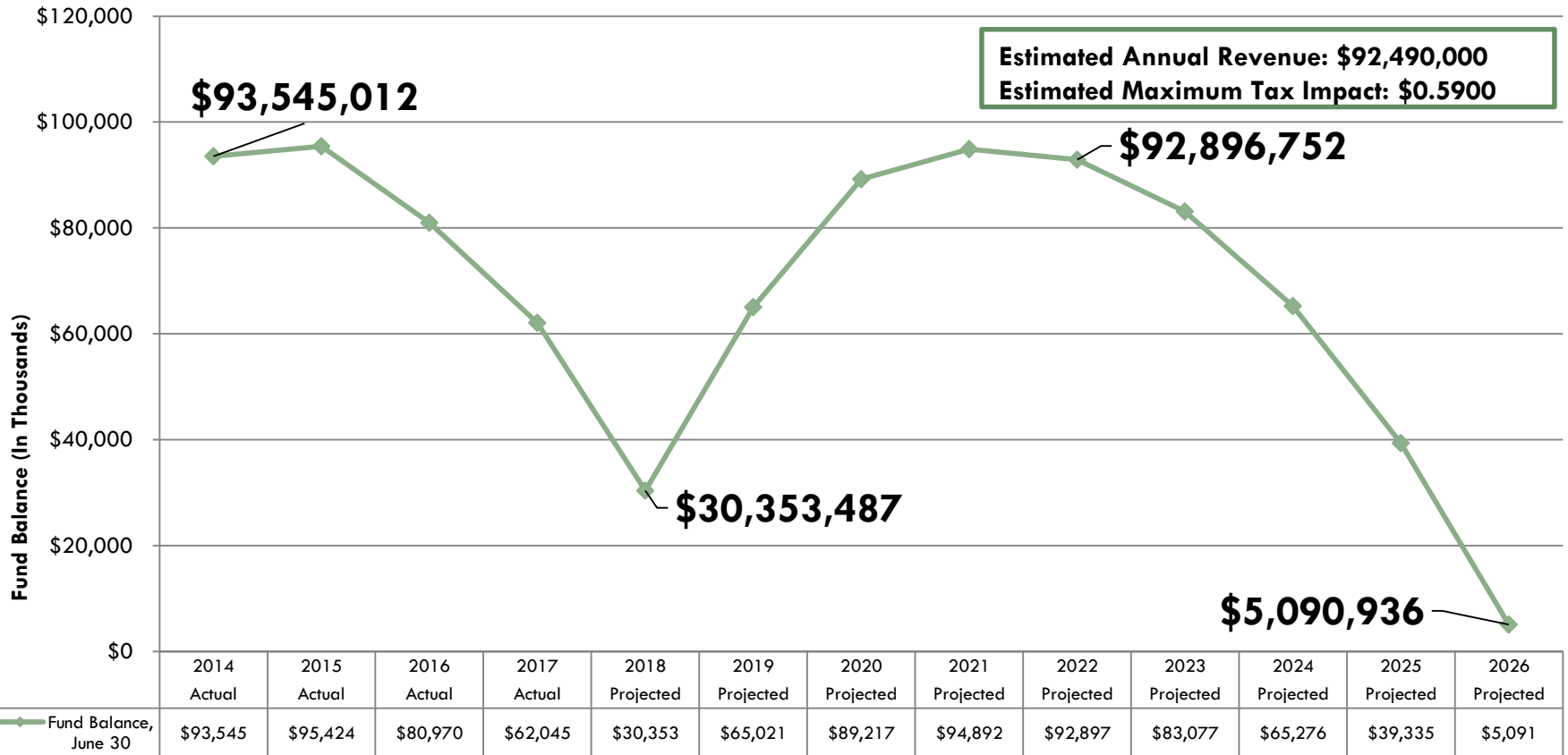
actual and projected june 30 fund balance

General, Capital Projects and Transportation Funds (2007–2026)



*Provided by H.J. Umbaugh & Associates

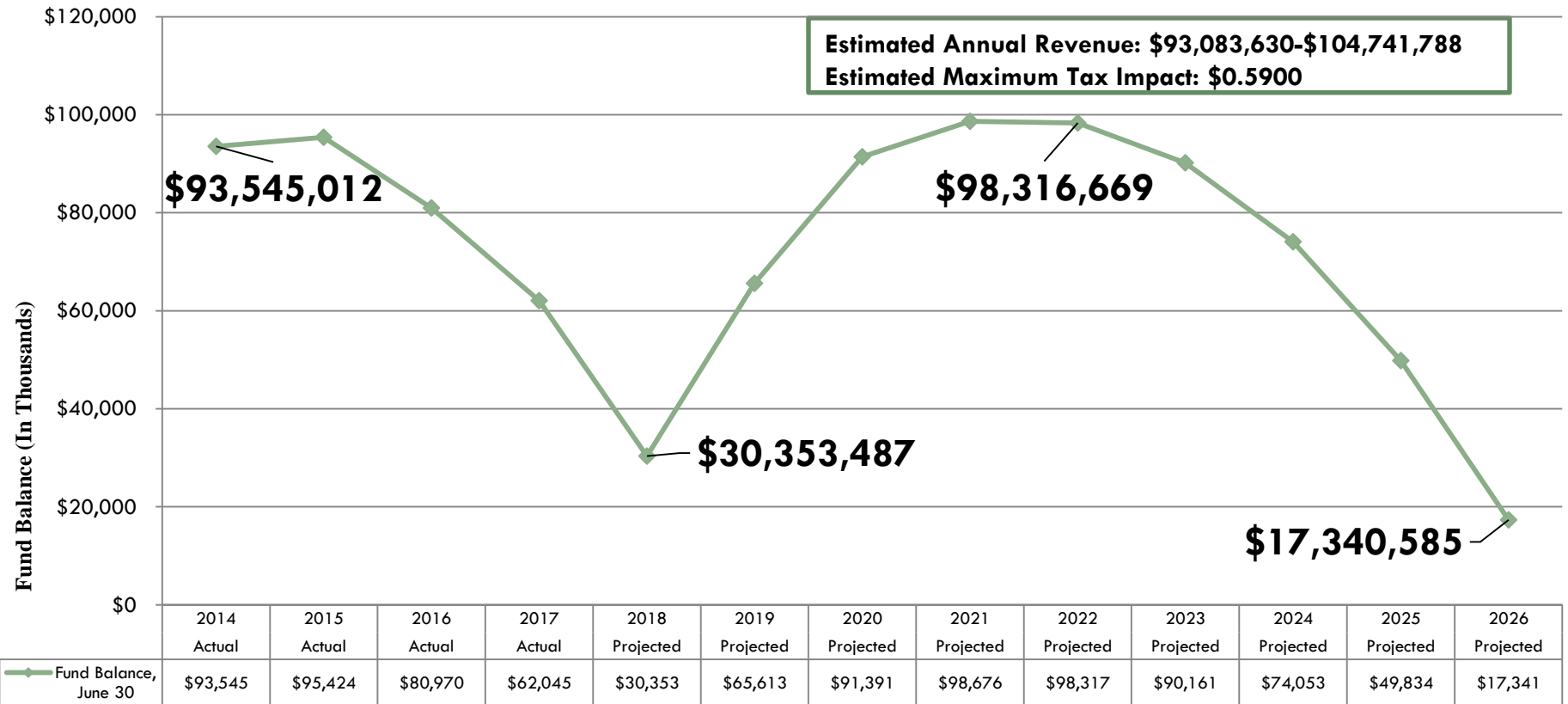
General, Capital Projects and Transportation Funds with Operating Referendum (2014–2026)



Note: Based upon the 2018 certified assessed value of \$14,033,981,093, including TIF assessed value of \$3,295,260,925, per the Marion County Auditor's Office, with no growth assumed thereafter.

*Provided by H.J. Umbaugh & Associates

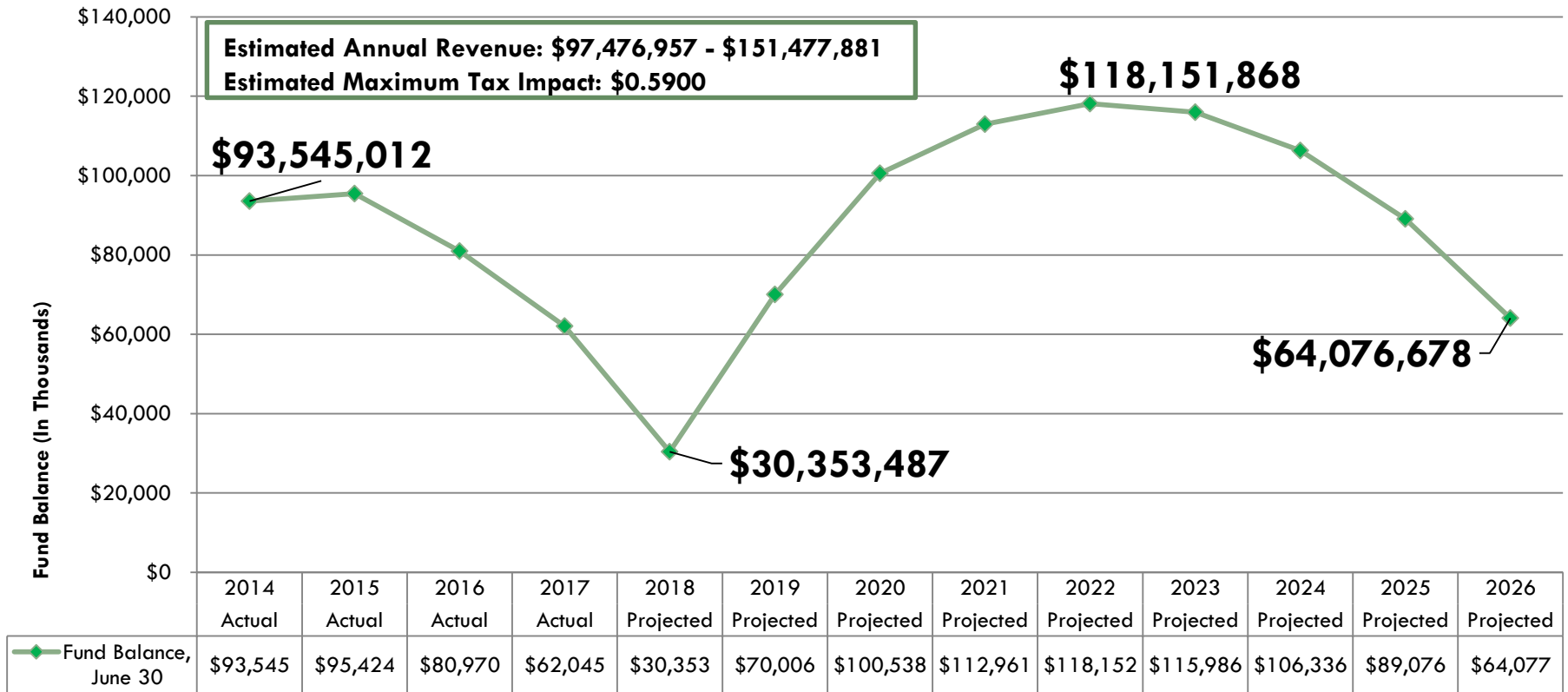
General, Capital Projects and Transportation Funds with Operating Referendum (2014–2026)



Note: Based upon the 2018 certified assessed value of \$14,033,981,093, including TIF assessed value of \$3,295,260,925, per the Marion County Auditor's Office, with 1.7% growth assumed thereafter.

*Provided by H.J. Umbaugh & Associates

General, Capital Projects and Transportation Funds with Operating Referendum (2014–2026)

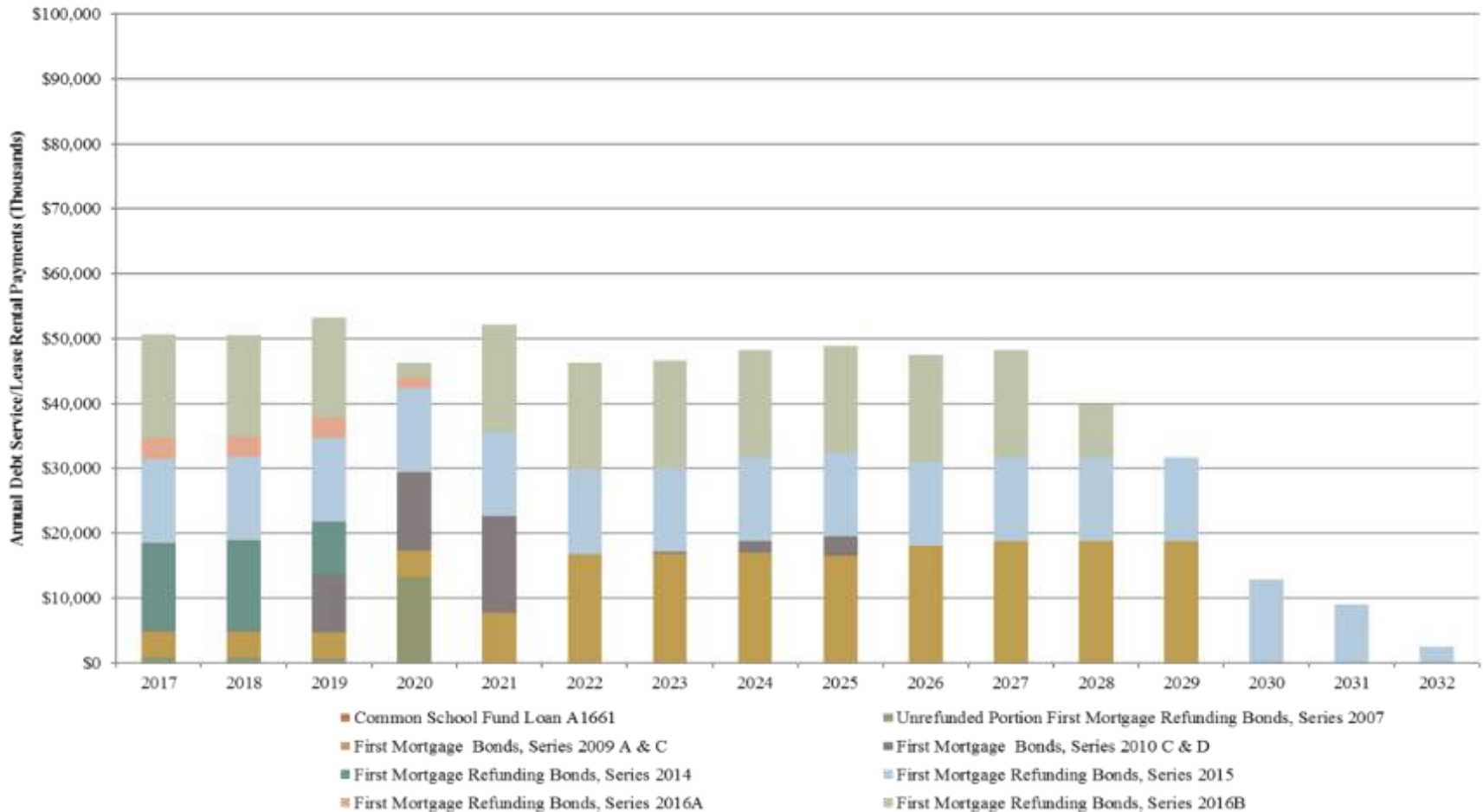


Note: Based upon the 2018 certified assessed value of \$14,033,981,093, including TIF assessed value of \$3,295,260,925, per the Marion County Auditor's Office, with 6.5% growth assumed thereafter.

| | | | |
|-----------------------------------|--------------------------------------|------------------------|---|
| Total Revenue (1) | | \$92,490,000 | |
| Estimated Tax Rate Impact (2) | | \$0.5900 | |
| <u>Estimated Taxpayer Impact:</u> | | | |
| | Market Value of Home | Net Assessed Value (3) | |
| | <hr/> | <hr/> | |
| | \$50,000 | \$10,000 | <u>Annual</u> \$59.00 <u>Monthly</u> \$4.92 |
| | 100,000 | 32,750 | 193.23 16.10 |
| | 123,500 (4) | 48,025 | 283.35 23.61 |
| | 150,000 | 65,250 | 384.98 32.08 |
| | 250,000 | 130,250 | 768.48 64.04 |
| | 500,000 | 292,750 | 1,727.23 143.94 |
| | 1,000,000 | 653,250 | 3,854.18 321.18 |
| | \$100,000 Commercial/Rental Property | | \$590.00 \$49.17 |

- (1) Funding gap based on General Fund, Capital Projects and Transportation Fund projected gap in fiscal year 2019, assumes 2% annual growth in disbursements.
- (2) Assumes financial institutions/license excise factor of 10.54%. Based upon the 2018 certified net assessed value of \$14,033,981,093, including TIF assessed value of \$3,295,260,925 per the Marion County Auditor's office, with no growth assumed thereafter. Per \$100 of assessed value.
- (3) Tax impact based upon net assessed valuation of home, which includes the standard deduction, supplemental homestead deduction and the mortgage deduction.
- (4) Median home value within Indianapolis Public Schools, per the 2015 American Community Survey 1-Year Estimates.

(Unaudited)



INDIANAPOLIS PUBLIC SCHOOLS, MARION COUNTY, INDIANA

ESTIMATED PROJECT COSTS AND FUNDING

| Estimated Project Costs: | <u>20 Year Repayment</u> |
|--|-----------------------------|
| Hard/Soft Construction Costs (1): | \$197,385,000 |
| Financing Costs (2): | <u>2,615,000</u> |
| Total Estimated Project Costs | <u>\$200,000,000</u> |
| Estimated Project Funding: | |
| Proposed First Mortgage Bonds, Series 2018 | <u>\$200,000,000</u> |

- (1) Soft construction costs include construction related expenses such as general conditions, contingencies, furnishings, architectural and construction management fees, and other miscellaneous items concerning the construction project.
- (2) Financing costs include allowances for capitalized interest, and fees for attorney, bond counsel, financial advisor, trustee, printing, legal advertising, title insurance, and other miscellaneous expenses.

| | 20 Year Repayment |
|---------------------------------------|--------------------------|
| Total Project Costs | \$200,000,000 |
| Par Amount of Bonds | \$200,000,000 |
| Estimated Repayment Term | 19 years, 1 month |
| Total Estimated Interest Expense (1) | \$128,673,835 |
| Assumed Interest Rates | 2.60%–5.90% |
| Maximum Estimated Annual Lease Rental | \$19,040,000 |
| Maximum Debt Service Tax Rate (2) | \$0.1384 |

(1) Based upon assumed interest rates, plus 1.00%.

(2) Based upon the 2017 certified net assessed value for Indianapolis Public Schools, plus TIF assessed value, of \$3,020,971,632, with no growth assumed thereafter. Assumes financial institutions/license excise factor of 5%. Per \$100 of net assessed value.

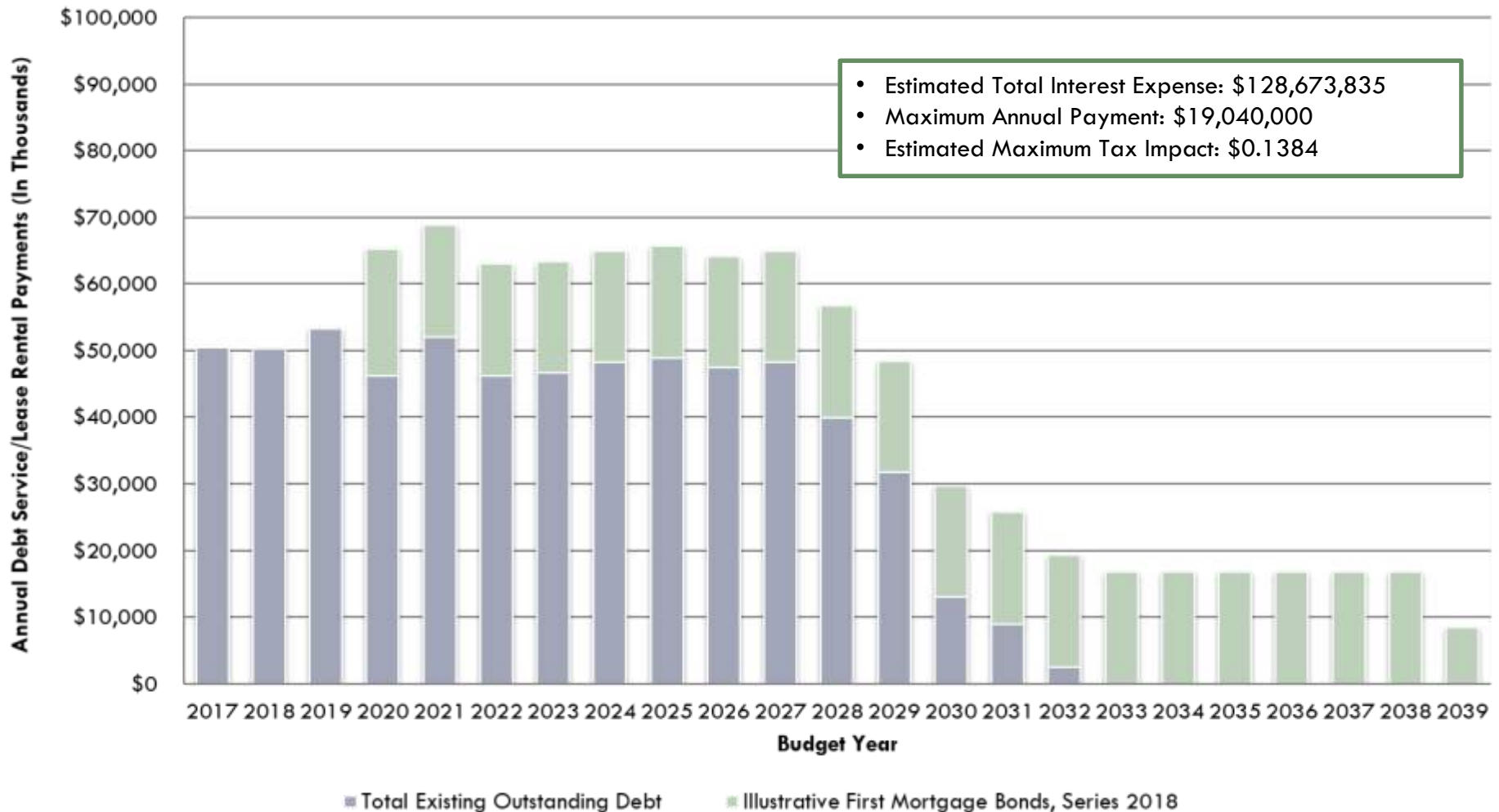
Note: Debt approved by referendum is exempt from property tax caps.

Illustrative Schedule of Amortization of \$200,000,000 Principal Amount of First Mortgage Bonds, Series 2018

| Payment Date | Principal Balance (—In \$1,000's—) | Principal | Assumed Interest Rate (1) (%) | Interest | Total Debt Service | Budget Year Debt Service | Annual Lease Rental Payment (2) |
|----------------|---------------------------------------|------------------|----------------------------------|-------------------------|-------------------------|--------------------------|------------------------------------|
| 1/15/2020 | \$200,000 | | | \$10,662,882.19 | \$10,662,882.19 | | |
| 7/15/2020 | 200,000 | \$3,500 | 2.60 | 4,871,367.50 | 8,371,367.50 | \$19,034,249.69 | \$19,040,000.00 |
| 1/15/2021 | 196,500 | 3,545 | 2.90 | 4,825,867.50 | 8,370,867.50 | | |
| 7/15/2021 | 192,955 | 3,595 | 2.90 | 4,774,465.00 | 8,369,465.00 | 16,740,332.50 | 16,746,000.00 |
| 1/15/2022 | 189,360 | 3,645 | 3.20 | 4,722,337.50 | 8,367,337.50 | | |
| 7/15/2022 | 185,715 | 3,705 | 3.20 | 4,664,017.50 | 8,369,017.50 | 16,736,355.00 | 16,742,000.00 |
| 1/15/2023 | 182,010 | 3,765 | 3.50 | 4,604,737.50 | 8,369,737.50 | | |
| 7/15/2023 | 178,245 | 3,830 | 3.50 | 4,538,850.00 | 8,368,850.00 | 16,738,587.50 | 16,744,000.00 |
| 1/15/2024 | 174,415 | 3,895 | 3.80 | 4,471,825.00 | 8,366,825.00 | | |
| 7/15/2024 | 170,520 | 3,970 | 3.80 | 4,397,820.00 | 8,367,820.00 | 16,734,645.00 | 16,740,000.00 |
| 1/15/2025 | 166,550 | 4,045 | 4.00 | 4,322,390.00 | 8,367,390.00 | | |
| 7/15/2025 | 162,505 | 4,125 | 4.00 | 4,241,490.00 | 8,366,490.00 | 16,733,880.00 | 16,739,000.00 |
| 1/15/2026 | 158,380 | 4,210 | 4.20 | 4,158,990.00 | 8,368,990.00 | | |
| 7/15/2026 | 154,170 | 4,300 | 4.20 | 4,070,580.00 | 8,370,580.00 | 16,739,570.00 | 16,745,000.00 |
| 1/15/2027 | 149,870 | 4,390 | 4.40 | 3,980,280.00 | 8,370,280.00 | | |
| 7/15/2027 | 145,480 | 4,485 | 4.40 | 3,883,700.00 | 8,368,700.00 | 16,738,980.00 | 16,744,000.00 |
| 1/15/2028 | 140,995 | 4,585 | 4.60 | 3,785,030.00 | 8,370,030.00 | | |
| 7/15/2028 | 136,410 | 4,690 | 4.60 | 3,679,575.00 | 8,369,575.00 | 16,739,605.00 | 16,745,000.00 |
| 1/15/2029 | 131,720 | 4,795 | 4.80 | 3,571,705.00 | 8,366,705.00 | | |
| 7/15/2029 | 126,925 | 4,910 | 4.80 | 3,456,625.00 | 8,366,625.00 | 16,733,330.00 | 16,739,000.00 |
| 1/15/2030 | 122,015 | 5,030 | 5.00 | 3,338,785.00 | 8,368,785.00 | | |
| 7/15/2030 | 116,985 | 5,155 | 5.00 | 3,213,035.00 | 8,368,035.00 | 16,736,820.00 | 16,742,000.00 |
| 1/15/2031 | 111,830 | 5,285 | 5.10 | 3,084,160.00 | 8,369,160.00 | | |
| 7/15/2031 | 106,545 | 5,420 | 5.10 | 2,949,392.50 | 8,369,392.50 | 16,738,552.50 | 16,744,000.00 |
| 1/15/2032 | 101,125 | 5,560 | 5.20 | 2,811,182.50 | 8,371,182.50 | | |
| 7/15/2032 | 95,565 | 5,700 | 5.20 | 2,666,622.50 | 8,366,622.50 | 16,737,805.00 | 16,743,000.00 |
| 1/15/2033 | 89,865 | 5,850 | 5.30 | 2,518,422.50 | 8,368,422.50 | | |
| 7/15/2033 | 84,015 | 6,005 | 5.30 | 2,363,397.50 | 8,368,397.50 | 16,736,820.00 | 16,742,000.00 |
| 1/15/2034 | 78,010 | 6,165 | 5.40 | 2,204,265.00 | 8,369,265.00 | | |
| 7/15/2034 | 71,845 | 6,330 | 5.40 | 2,037,810.00 | 8,367,810.00 | 16,737,075.00 | 16,743,000.00 |
| 1/15/2035 | 65,515 | 6,500 | 5.50 | 1,866,900.00 | 8,366,900.00 | | |
| 7/15/2035 | 59,015 | 6,680 | 5.50 | 1,688,150.00 | 8,368,150.00 | 16,735,050.00 | 16,741,000.00 |
| 1/15/2036 | 52,335 | 6,865 | 5.60 | 1,504,450.00 | 8,369,450.00 | | |
| 7/15/2036 | 45,470 | 7,055 | 5.60 | 1,312,230.00 | 8,367,230.00 | 16,736,680.00 | 16,742,000.00 |
| 1/15/2037 | 38,415 | 7,255 | 5.70 | 1,114,690.00 | 8,369,690.00 | | |
| 7/15/2037 | 31,160 | 7,460 | 5.70 | 907,922.50 | 8,367,922.50 | 16,737,612.50 | 16,743,000.00 |
| 1/15/2038 | 23,700 | 7,675 | 5.80 | 695,312.50 | 8,370,312.50 | | |
| 7/15/2038 | 16,025 | 7,895 | 5.90 | 472,737.50 | 8,367,737.50 | 16,738,050.00 | 16,744,000.00 |
| 1/15/2039 | 8,130 | 8,130 | 5.90 | 239,835.00 | 8,369,835.00 | | |
| 7/15/2039 | 0 | 0 | 0.00 | 0.00 | 0.00 | 8,369,835.00 | 8,372,500.00 |
| Totals: | | \$200,000 | | \$128,673,814.69 | \$128,673,814.69 | \$328,673,814.69 | \$328,780,500 |

(1) Assumes current interest rates, plus 1.00%.

(2) Based on total annual debt service rounded up to next \$1,000, plus \$5,000 for trustee and miscellaneous fees.



*Provided by H.J. Umbaugh & Associates



capital referendum project hearing

summary of illustrative financing options

| | Illustrative First Mortgage Bonds, Series 2018 (Plus 100 basis points) |
|---------------------------------------|---|
| Borrowing Amount | \$200,000,000 |
| Repayment Term | 19 years, 1 month |
| Estimated Interest Expense | \$128,673,835 |
| Estimated Maximum Annual Payment | \$19,040,000 |
| Estimated Maximum Tax Rate Impact (1) | \$0.1384 |

Annual Taxpayer Impact:

| Market Value of Home | Net Assessed Value (2) | <u>Annual</u> | <u>Monthly</u> |
|--------------------------------------|---------------------------|---------------|----------------|
| \$50,000 | \$10,000 | \$13.84 | \$1.15 |
| 100,000 | 32,750 | 45.33 | 3.78 |
| 123,500 (3) | 48,025 | 66.47 | 5.54 |
| 250,000 | 130,250 | 180.27 | 15.02 |
| 500,000 | 292,750 | 405.17 | 33.76 |
| 1,000,000 | 653,250 | 904.10 | 75.34 |
| \$100,000 Commercial/Rental Property | | \$138.40 | \$11.53 |

(1) Based upon the 2017 certified net assessed value of \$13,066,398,941, including TIF assessed value of \$3,020,971,632 per the Marion County budget order, with no growth assumed thereafter. Assumes financial institutions/license excise factor of 5%. Per \$100 of assessed value.

(2) Tax impact based upon net assessed valuation of home, which includes the standard deduction, supplemental homestead deduction and the mortgage deduction.

(3) Median home value within Indianapolis Public Schools, per the 2015 American Community Survey.

Monthly Illustrative Tax Impact for \$0.5900 Annual Operating Referendum Tax Rate and \$200,000,000 Capital Referendum

| Market Value of Property | Net Assessed Value (2) | Operating Referendum (1) \$0.5900 tax rate | Capital Referendum (1) \$200,000,000 | Total Referenda |
|----------------------------|------------------------|---|---|-----------------|
| \$50,000 Home | \$10,000 | \$4.92 | \$1.15 | \$6.07 |
| 100,000 Home | 32,750 | 16.10 | 3.78 | 19.88 |
| 123,500 Home (3) | 48,025 | 23.61 | 5.54 | 29.15 |
| 150,000 Home | 65,250 | 32.08 | 7.53 | 39.61 |
| 250,000 Home | 130,250 | 64.04 | 15.02 | 79.06 |
| 500,000 Home | 292,750 | 143.94 | 33.76 | 177.70 |
| 1,000,000 Home | 653,250 | 321.18 | 75.34 | 396.52 |
| Commercial/Rental Property | \$100,000 | \$49.17 | \$11.53 | \$60.70 |

(1) Based upon the 2018 certified net assessed value of \$10,738,720,168, including TIF assessed value of \$3,295,260,925 per the Marion County budget order, with no growth assumed thereafter. Assumes financial institutions/license excise factor of 10.54%. Per \$100 of assessed value.

(2) Tax impact based upon net assessed valuation of home, which includes the standard deduction, supplemental homestead deduction and the mortgage deduction.

(3) Median home value within Indianapolis Public Schools, per the 2015 American Community Survey.

*my*IPS

